

## Message Text

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ACTION EUR-12

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FM AMCONSUL TORONTO  
TO SECSTATE WASHDC 7136  
INFO AMEMBASSY OTTAWA

UNCLAS TORONTO 0699

E.O. 11652: N/A  
TAGS: PGVO, CA  
SUBJ: ONTARIO MINORITY GOVERNMENT GIVES IN TO OPPOSITION  
DEMANDS ON HEALTH INSURANCE PREMIUM CUTS

REF: TORONTO 0653

1. ONTARIO TREASURER DARCY MCKEOUGH ANNOUNCED IN THE  
LEGISLATURE APRIL 25, THAT TO SECURE THE CONTINUING  
CONFIDENCE OF THE OPPOSITION PARTIES IN THE GOVERNMENT,  
THE PROPOSAL TO INCREASE ONTARIO HEALTH INSURANCE PLAN  
PREMIUMS BY 37 1/2 PER CENT WOULD BE HALVED AND THAT THE  
REVENUE LOSS WOULD BE MADE UP BY INCREASED CORPORATE TAXES  
AND GOVERNMENT ECONOMIES. REVISED PROPOSAL WAS ACCEPTED  
BY THE OPPOSITION LIBERALS AND THE CRISIS WHICH MIGHT HAVE  
SEEN A VOTE OF NO CONFIDENCE SUPPORTED BY THE LIBERALS AND  
THE NDP AVERTED.

2. THE CORPORATION TAX HIKE WILL RAISE ABOUT DOLS 72 MILLION.  
GOVERNMENT SERVICES WILL BE CUT BY DOLS 11 MILLION  
AND ANOTHER DOLS 73 MILLION WILL BE PROVIDED BY A CUT  
IN SEVEN GOVERNMENT PROGRAMS - A FREEZE ON GOVERNMENT  
HIRING AND CUTS IN ONTARIO DEVELOPMENT CORPORATION  
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LOANS, HIGHWAY CONSTRUCTION, GOVERNMENT BUILDING  
CONSTRUCTION, GRANTS TO UNIVERSITIES' CAPITAL PROJECTS,  
ONTARIO HOUSING CORPORATION LOANS AND NORTHERN REGIONAL  
PRIORITY PROGRAM.

3. WHILE THE GOVERNMENT RETREAT HAS BEEN HELD AS A  
SIGNIFICANT POLITICAL VICTORY FOR LIBERAL OPPOSITION

LEADER DR. STUART SMITH AND A CLEAR EMBARRASSMENT FOR TREASURER DARCY MCKEOUGH, SOME COMMENTATORS HAVE ALREADY POINTED OUT THE ECONOMIC DISADVANTAGES OF THE BUDGET REVISION. THE CUTS IN CONSTRUCTION AND GOVERNMENT PROGRAMS WILL HAVE DIRECT EFFECTS ON SHORT TERM EMPLOYMENT AND THE INCREASE IN CORPORATE TAXATION, SOMETHING TREASURER MCKEOUGH CALLED "UNWISE" BEFORE A LEGISLATIVE COMMITTEE A WEEK AGO, WILL HAVE EFFECTS ON THE INVESTMENT CLIMATE. NDP LEADER MICHAEL CASSIDY IS STILL DISSATISFIED AND HAS CALLED THE REVISED 18.75 PER CENT OHIP PREMIUM HIKE TOO HIGH.

4. COMMENT - THE CONSULATE GENERAL KNOWS FROM ITS OWN CONTACTS IN THE PROVINCIAL GOVERNMENT THAT THIS MATTER WAS UNSETTLED UNTIL THE VERY LAST MINUTE. IT WAS UNKNOWN UNTIL THE AFTERNOON ANNOUNCEMENT WHETHER THE LIBERALS WOULD GO ALONG WITH THE HALVING OF THE PREMIUM INCREASE AS THEIR OWN RECOMMENDATIONS HAD BEEN FOR A SIX PER CENT HIKE WITH THE REMAINDER OF THE FUNDING OBTAINED THROUGH VARIOUS OTHER REVENUE AND SAVINGS MEASURES, INCLUDING LOTTERY RECEIPTS.  
DIGGINS

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## Message Attributes

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**TAGS:** PGOV, CA  
**To:** STATE  
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